

Lehman Brothers Inc.

January 20, 2005

Ms. Amy Chan
Executive Director, Sunnyvale Redevelopment Agency
Sunnyvale City Hall
456 West Olive Avenue
Sunnyvale, CA 94088-3707

Re: Disposition and Development and Owner Participation Agreement (“DDOPA”) by and between the Sunnyvale Redevelopment Agency (“Redevelopment Agency”) and Fourth Quarter Properties XLVIII, LLC (“Fourth Quarter”) Pertaining to the Redevelopment of the Sunnyvale Town Center Mall, Sunnyvale, Santa Clara County, California (“Mall Property”)

Dear Ms. Chan:

I am writing to you as Authorized Signatory of Lehman ALI Inc. (“Lehman”), a wholly-owned subsidiary of Lehman Brothers Holdings Inc., and PAMI LLC (“PAMI”), a wholly-owned subsidiary of Lehman appointed to act as Manager of Fourth Quarter, which is also now wholly-owned by Lehman.

Lehman has acquired 100% ownership and control of Fourth Quarter due to the failure of the its former owner, Forum Development Group, LLC (“Forum”) to timely proceed under the terms of its contract (the “Sales Contract”) with Sunnyvale, LLC (“Debtor”) to purchase, on or before December 31, 2004, the Mall Property owned by Debtor (called the “SLLC Parcel” under the DDOPA) and two properties owned by Lehman-related entities (called the “WHL Parcel” and the “Harvest Parcel” under the DDOPA) (collectively the “Other Parcels”).

By this letter, the DDOPA, executed and accepted by Fourth Quarter through PAMI, is being delivered to you as the Executive Director of the Redevelopment Agency.

As contemplated by section 2.01(d) of the DDOPA, and in consideration of the current circumstances, Fourth Quarter (the “Developer” under the DDOPA), through PAMI, and Lehman, request that Redevelopment Agency extend the deadline for acquisition of the SLLC Parcel to afford them time reasonably necessary to complete the purchase and obtain title to the that Parcel. Since affiliates of Lehman/Fourth Quarter already own the Other Parcels, Lehman does not believe a request for extension is required as to the Other Parcels.

Let me explain the reason for our request. As you may know, Debtor is a Debtor-in-Possession in the Chapter 11 case styled *In re: Sunnyvale, LLC*, Case No. SV 02-18560-AG (the “Bankruptcy Case”), pending in the United States Bankruptcy Court for the Central District of California, San Fernando Valley Division (the “Bankruptcy Court”). Lehman is a secured

399 Park Avenue, 8th Floor
New York, N.Y. 10022

Ms. Amy Chan
Executive Director, Sunnyvale Redevelopment Agency
January 20, 2005
Page 2

creditor of Debtor, and has recorded and perfected first and second priority deeds of trust on Debtor's Mall Property.

Debtor was authorized by its confirmed plan of reorganization (the "Bankruptcy Plan") and incorporated Sales Contract to sell its portion of the Mall Property and essentially all of its other related assets (collectively, "Debtor's Assets") to Forum by transferring same to Fourth Quarter. Forum was also required to purchase the Other Parcels from Lehman-related entities. Lehman joined in the Sales Contract for the purpose of setting forth (i) its agreement to accept a partial payment of its secured claim and (ii) the obligation of Lehman-related entities to sell the Other Parcels to Forum.

As part of the negotiations leading to the confirmation of the Bankruptcy Plan and in order to facilitate the development of a life style center mall on the combined assemblage of the Parcels making up the Mall Property, Lehman, Fourth Quarter and Debtor engaged in extensive negotiations with Macy's and Target, as well as the City of Sunnyvale and the Redevelopment Agency, to reach a new operating and reciprocal easement agreement ("OREA"), as well as to finalize the DDOPA and related documents. Additionally, extensive negotiations with Century Theatres, Inc. ("Century") who had entered into prior agreements with Debtor before bankruptcy regarding a theater complex, have been conducted to develop a new long term lease of a theater site to Century.

At the time of the hearing on the confirmation of Debtor's Bankruptcy Plan, final agreements had not been reached, and to facilitate the consensual confirmation of the Bankruptcy Plan, the parties agreed to the sale process and procedures set forth in the Order confirming the Plan and Memorandum Decision in support thereof, which, essentially, condition the closing of the sale of the property upon the deposit into escrow of agreed upon property acquisition documents, the new OREA and documents necessary to effectuate the new OREA, and the DDOPA and other agreements contemplated to define and govern the relationship between and among the parties during the course of the Mall Property redevelopment and thereafter.

Under the confirmed Bankruptcy Plan, Forum was required to close on the sale of the SLLC Parcel and the other Parcels not later than December 31, 2004; however, as of that date, agreement had not yet been reached by the parties as to the OREA and related documents, and Forum's lender had not yet committed to provide financing to Forum on terms acceptable to Forum. There were also some minor adjustments which Forum desired to have to the DDOPA that had not by then been resolved. As a result, the required documents were not placed into escrow, and Forum did not close on the purchase of the SLLC Parcel or the other Parcels.

Because Forum did not timely close the sale, the Sales Contract terminated, and Lehman now has the right to acquire the Debtor's Assets using most of the same sale process and procedures under the confirmed Bankruptcy Plan as were applicable to Forum.

Ms. Amy Chan
Executive Director, Sunnyvale Redevelopment Agency
January 20, 2005
Page 3

Lehman intends to vigorously pursue the resolution of the matters outstanding when Forum failed to timely close, and acquire the Debtor's Assets.

Lehman believes that the OREA is very close to final agreement, with only a couple of issues remaining to be resolved, and intends to immediately engage in negotiations with Macy's and Target to resolve these remaining issues. Lehman similarly believes that the lease with Century is very close to completion, and intends to immediately engage in negotiations with Century to finalize that lease.

Accordingly, Lehman and Developer request that the Agency grant approval of their request, and extend the deadline for the SLLC Parcel acquisition through March 31, 2005. We ask that you evidence such approval by countersigning a copy of this letter below and returning it to me. We'll make every effort to effect the acquisition at an earlier date, as it is as much in Lehman's interest to do so as it is in the Agency's.

We believe the request to be both reasonable and necessary and thank you in advance for your favorable consideration of it. We look forward to working with you to accomplish the successful redevelopment of the current site into a vibrant downtown mixed use life style center.

If you have any questions regarding the foregoing, please do not hesitate to contact me at (212) 526-2453, Lehman's consultant, Mark Calvert at (206) 909-3636, or counsel identified below.

Very truly yours,



399 Park Avenue, 8th Floor
New York, N.Y. 10022

Ms. Amy Chan
Executive Director, Sunnyvale Redevelopment Agency
January 20, 2005
Page 4

Approval of Request for Extension

The foregoing and within request of Lehman and Developer, pursuant to section 2.01(d) of the DDOPA, for an extension of the deadlines for Developer to acquire the SLLC Parcel for up to ninety (90) days appearing reasonably necessary for Developer to complete the purchase and obtain fee title to the Parcels, such request is hereby approved, and said deadlines are hereby extended from December 31, 2004 through and including March 31, 2005.

SUNNYVALE REDEVELOPMENT
AGENCY, a public body, corporate and politic

By: _____

Name: Amy Chan.

Title: Executive Director

Ms. Amy Chan
Executive Director, Sunnyvale Redevelopment Agency
January 20, 2005
Page 5

Contact Information for Lehman's Counsel & Consultant

Mark Calvert
Cascade Capital Group LLC
7322 SE Curtis Drive
Suite 1313
Snoqualmie, WA 98065-9769
e-mail: mark@casadecapitalgroup.com
voice: (206) 909-3636
fax: (425) 642-8200

Kirsten Murphy Powell
Logan & Powell, LLP
255 West Julian Street, Suite 302
San Jose, CA 95110-2406
e-mail: kpowell@loganpowell.com
voice: (408) 287-2156
fax: (408) 280-1749

Mark S. Kaufman
McKenna Long & Aldridge LLP
Suite 5300, 303 Peachtree Street
Atlanta, Georgia 30308
e-mail: mkaufman@mckennalong.com
voice: 404-527-4120
fax: 404-527-4198

Robert A. Bartlett
McKenna Long & Aldridge LLP
Suite 5300, 303 Peachtree Street
Atlanta, Georgia 30308
e-mail: rbartlett@mckennalong.com
voice: 404-527-8310
fax: 404-527-4198

ATLANTA:4702807.3